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SUBJECT: Distributions of Sudan's Oil Revenue

¶1. Summary: Net revenue accruing to Sudan from oil production for the first five months of 2006 totaled \$1,086.9 million. Of this total, \$685.3 million was allocated to the North and \$391.6 million to the GOSS. In addition, \$234.1 million was transferred to the Oil Revenue Stabilization Account and \$28.4 million to state governments. Revenues are expected to continue at the same or slightly higher levels through the end of 2006. Distributions to the GOSS are projected conservatively at between \$60 - 70 million per month for the next several months, according to Central Bank sources. End Summary.

Overall Oil Revenues

¶2. In early August, the Petroleum Unit of the Ministry of Finance and National Economy released figures on government oil revenues. The figures show details for the month of May as well as totals for the year to date. The net revenue accruing to the government for the January through May time period totaled \$1,086.9 million dollars. Of this amount, \$553 million was from export revenues and \$533.9 million from sales to local refineries.

Distribution to GOSS

¶3. The published figures show \$391 million in oil revenue transferred to the Government of Southern Sudan (GoSS) from January through May. This is a sum of the revenues from exports and crude going to local refineries, with the following breakdown:

Month	Export Revenue	Local Sales	Total
Jan	39.2	33.2	72.4
Feb	29.2	32.2	61.4
March	37.5	40.4	77.9
April	48.2	38.6	86.8
May	45.5	47.6	93.1
Total	199.6	192.0	391.6

In addition to the above amounts, direct transfers of \$28.4 million were made to the oil-producing states of South Kordofan and Unity. Transfers made from the Oil Revenue Stabilization Fund (ORSA) are not included in the above total.

May 2006 Production and Revenue

¶4. According to information provided by the Ministry, total oil production for May was 7,386,000 barrels, or about 240,000 barrels per day (Note: this is considerably below the production level of 450,000 bpd projected at the beginning of the year. Septel will provide additional information. End note.) Of this amount, 5,272,000 barrels (71.38 percent) was from wells in the South. Total production is divided between producing companies and the government. Exports of government oil totaled 3,351,717 barrels and generated revenue of \$224.6 million. Local refineries took

2,201,000 barrels of government oil. Any amount received above \$45 per barrel on exports of government oil is transferred to the Oil Revenue Stabilization Account (ORSA); for May this amount was \$73.7 million.

Formula for Dividing Proceeds

15. Division of the income from oil follows a defined process. First, petroleum produced in Sudan is divided between producing companies and the Government, per production sharing agreements, with about 60 percent going to the government. Under provisions of the Interim National Constitution, the government's share is distributed among the Government of National Unity, the GoSS, and several state governments. The constitution lays out a mechanism under which net revenues are defined as the sum of government oil exports and sales of government oil to local refineries, less management and transportation fees. Two percent of net revenue is allocated to the oil producing states in proportion to the output produced in each state. Proceeds from exports are deposited in the Bank of Sudan, and any amount in excess of the benchmark (currently \$45 per barrel) is transferred to the ORSA. After the payment to the ORSA and to the oil producing states, fifty percent of net oil revenue derived from wells in Southern Sudan is allocated to the GoSS and fifty percent to the Government of National Unity and states in Northern Sudan. Proceeds from local sales of crude to refineries are distributed to the North and the GoSS, again using the formula of a fifty/fifty split between the North and South of net oil revenue derived from wells in Southern Sudan.

Revenue to Continue at Similar Level

16. In a recent conversation with a source at the Central Bank of KHARTOUM 00001919 002 OF 002

Sudan, poloff was told that the projections are for monthly transfers of oil revenues to the GoSS to continue through the end of the year in the range of \$60 to \$70 million, which is roughly the level of the first five months of the year.

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